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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Administration of the)	CC Docket No. 92-237
North American Numbering)	Phases One and Two
Plan)	

COMMENTS OF
CATHEY, HUTTON & ASSOCIATES, INC.

Cathey, Hutton and Associates, Inc. (CHA), a telecommunications management consulting firm, hereby comments on an issue raised by the Commission's Notice of Proposed Rulemaking (NPRM), FCC 94-79, released April 4, 1994, in the above-captioned proceeding. Specifically, CHA addresses the issue of whether the Commission "should require local exchange carriers to cease screening and completing interstate intraLATA '1+' MTS calls, and instead, deliver those calls to the [interLATA] carrier preselected by the end user unless the preliminary routing numbers indicate otherwise." (NPRM, ¶ 58)

Approximately 16 of CHA's clients are located in LATAs that cross state boundaries. These local exchange carriers (LECs) derive a substantial portion of their revenue from the completion of intraLATA calls, both intrastate and interstate. If the Commission were to require 1+ presubscription for interstate intraLATA calls, these small companies would be required to

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implement one of two choices. They could either establish a "2-PIC" system, strictly for the interstate intraLATA traffic, or they could default all interstate intraLATA traffic to the end user's presubscribed interLATA carrier. Neither of these choices are satisfactory for small LECs.

The Commission recognizes that a 2-PIC system, "would undoubtedly impose additional costs on the BOCs." (NPRM, ¶ 57, n. 96) If additional costs would be imposed on the BOCs, the impact on small telephone companies, with as few as 1,200 access lines over which to spread these costs, would be substantial. Indeed, because the costs of installing a 2-PIC system would be so high relative to the size of CHA's clients, these carriers would have no choice but to simply default all interstate intraLATA traffic, and the associated revenue, to the interLATA interexchange carrier without attempting to compete for this traffic.

Finally, the Commission recognizes that "because of the MFJ's interLATA prohibition, measures that ensure that interstate intraLATA '1+' toll traffic is handled by the presubscribed, interLATA IXC could effectively prevent the BOCs from competing for this traffic." (NPRM, ¶ 57) Of course, independent LECs, such as CHA's clients, are not subject to the MFJ. However, as a practical matter, with few exceptions, these carriers cannot economically compete for interLATA traffic. This is so because

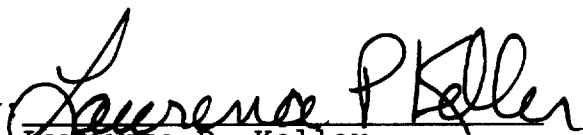
these LECs generally cannot generate the call volumes necessary for a viable interLATA toll operation. Accordingly, small telephone companies would also be disadvantaged in competing for interstate interLATA traffic. They, in turn, would be disadvantaged in competing for interstate intraLATA traffic.

The Commission undoubtedly has jurisdiction to require 1+ presubscription for interstate interLATA toll calls. However, given the Commission's recognition "that the amount of toll traffic involved is relatively small" (NPRM, ¶ 57), and the difficulties that would be experienced by small LECs in trying to screen and/or compete for such traffic, CHA recommends that the Commission defer any action on this issue until such time as each of the states which comprise interstate LATAs adopts a like 1+ presubscription requirement for intrastate interLATA traffic. The states are often in the best position to address some of the special problems faced by smaller LECs, and to weigh the alternatives that are available to small carriers to recover their revenue requirements. Deferral of the intraLATA presubscription issue at this time will provide an opportunity for the states to consider these matters without compromising the Commission's important policy objectives.

For all of the foregoing reasons, the Commission should defer action on 1+ presubscription for interstate intraLATA traffic until this issue has been addressed by state commissions.

Respectfully submitted,

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